



M E D I A R E L E A S E

STATE OF TENNESSEE
DEPARTMENT OF FINANCIAL INSTITUTIONS

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CONTACT: CULLEN EARNEST
615.741.1805 (OFFICE)

Governor Signs Mortgage Reform Into Law **REVISED MORTGAGE ACT CREATES SAFEGUARDS FOR STATE'S CONSUMERS**

Governor Phil Bredesen has signed into law SB 4160, which creates new requirements for individuals engaged or seeking to operate in the mortgage industry in Tennessee. The bill was designed to establish educational requirements and a method for criminal background checks on individuals working in the mortgage industry that must be licensed or registered with the Tennessee Department of Financial Institutions.

"It is important to maintain close scrutiny on the industry," said Financial Institutions Commissioner Greg Gonzales. "This legislation complements that goal by giving the department additional tools to determine initially who should engage in the mortgage business. The department's increased regulatory efforts over the last four years have seen our number of examiners in this area more than double, leading to an increase in enforcement activity."

The bill, which was sponsored by Senator Andy Berke of Chattanooga and Representative Curt Cobb of Shelbyville, also allows the department to join the Nationwide Mortgage Licensing System (NMLS) created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR).

"These new requirements will protect consumers from abusive lending practices and improve the overall safety and soundness of the mortgage industry," said Sen. Berke.

"Background checks, along with participation in the NMLS, will enable the department to identify bad actors that may not merit licensing or registration in Tennessee's mortgage industry," said Rep. Cobb.

Comprehensive criminal background checks will be performed on individuals applying for a new license or registration with the department. The mortgage business is nationwide in scope, and state banking departments are coordinating their resources to establish a common database of licensees. Eventually, participation in NMLS will allow all states to have the most current information possible on individuals seeking licensure.

In 2007, the department's efforts garnered \$5.5 million dollars in refunds for Tennessee consumers, with half of the refunds coming from a joint effort with the Tennessee Attorney General's office to participate in a nationwide settlement and the other half from department examinations.

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511 UNION STREET
NASHVILLE, TN 37219
615.741.2236